

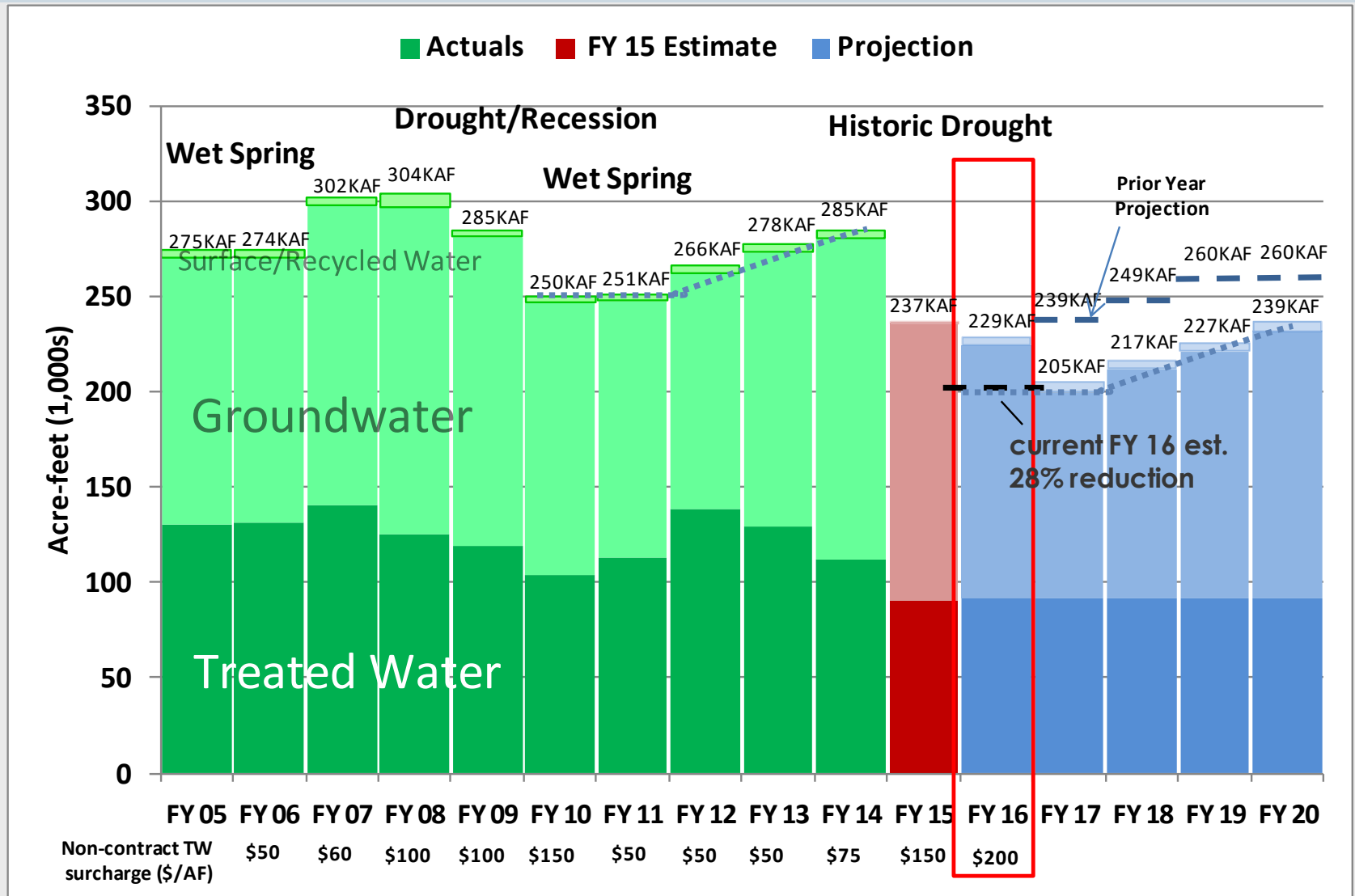
Preliminary FY 17 Groundwater Production Charge Analysis

February 2, 2016

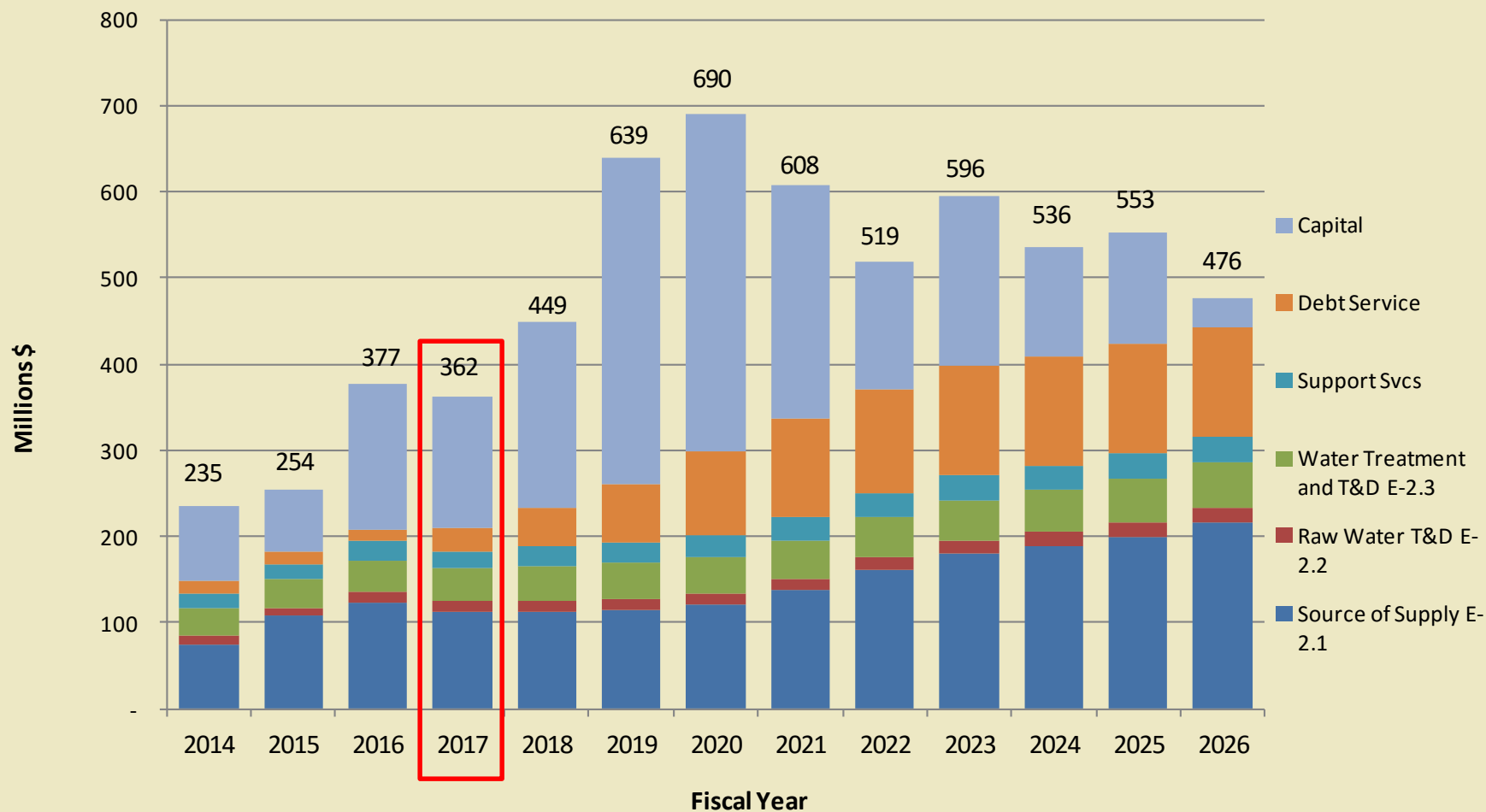
Santa Clara Valley
Water District



District Managed Water Usage



Financial Analysis: Preliminary Cost Projection



Financial Analysis: Drought Response Cost Projection

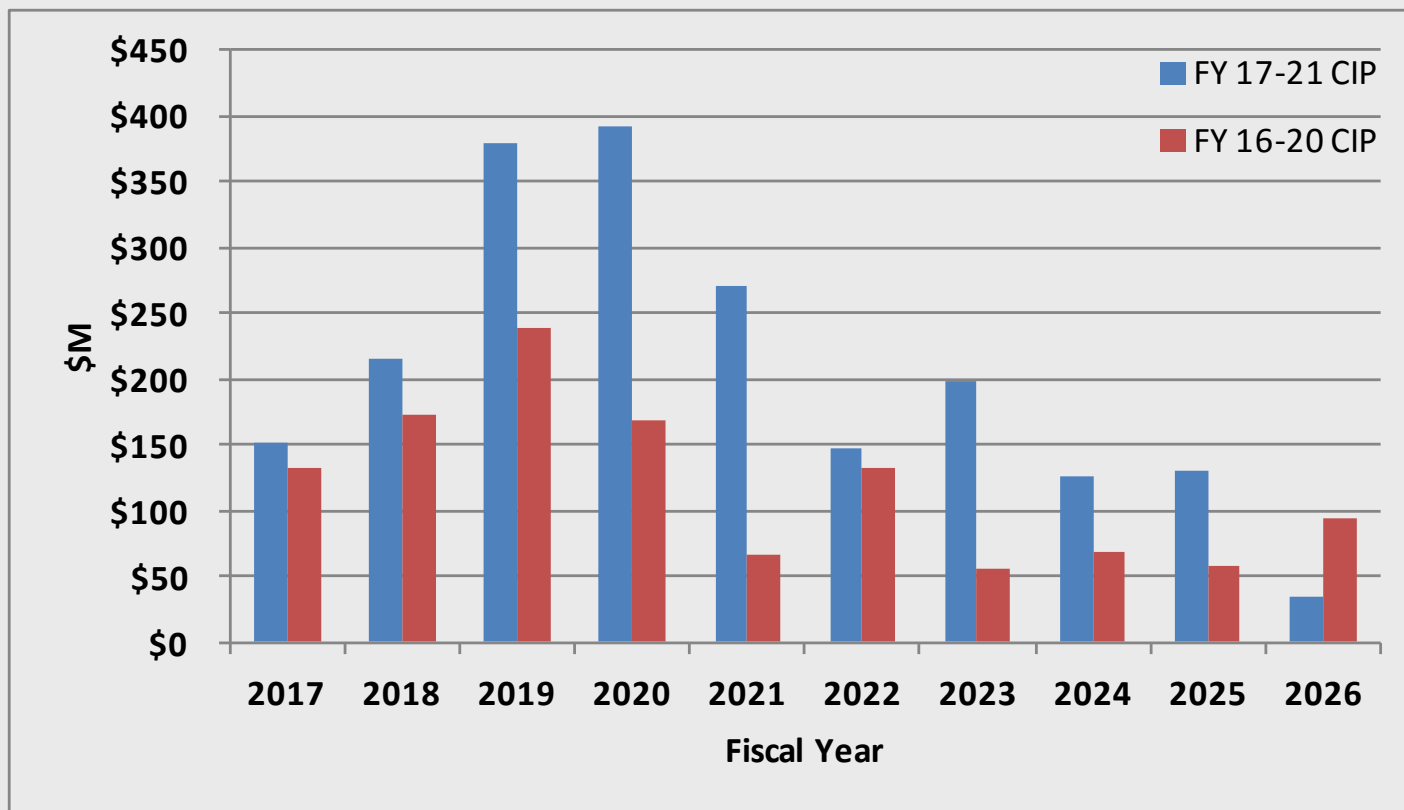
Cost Description	Cost Projection (\$M)				
	FY 16	FY 17	FY 18	FY 19	FY 20
Water Acquisition Agrmts	6.7	4.6	4.7	4.8	4.9
Semitropic Water Take	5.0	5.0	5.0	5.0	-
Spot Mkt Purchase	15.0	-	-	-	-
Enhanced Conservation	5.0	-	-	-	-
Landscape Rebate Bdgt Adj	4.6	-	-	-	-
Total	36.3	9.6	9.7	9.8	4.9

Cost Description	Supplemental Water Projection (KAF)				
	FY 16	FY 17	FY 18	FY 19	FY 20
Water Acquisition Agrmts	13.0	6.5	6.5	6.5	6.5
Semitropic Water Take	31.5	31.5	31.5	31.5	-
Spot Mkt Purchase	15.0	-	-	-	-
Total	59.5	38.0	38.0	38.0	6.5

Assumptions:

- ▶ Water Acquisition Agreements shown reflect only incremental agreements developed in response to the historic drought (i.e. \$4.6M out of \$5.6M total for FY 17)
- ▶ Landscape Rebate Program assumed at \$1 per square-foot for turf conversion in FY 17 & beyond

Financial Analysis: Preliminary FY 17 CIP



- ▶ Accelerated timing for Purified Water Program & added \$370M vs prior year placeholder to \$945M
- ▶ \$50M cost increase for Guadalupe Dam Seismic Retrofit due to scope refinements
- ▶ \$8M cost increase for South County Recycled Water Pipeline – Short Term Implementation
- ▶ Added \$105M for 10-Year Pipeline Rehabilitation Project
- ▶ Added \$17M for Coyote Pumping Plant Adjustable Speed Drive Replacement Project

Financial Analysis: Preliminary Groundwater Production Charge Projection

	Projected					
Base Case	2015–16	2016–17	2017–18	2017–19	2017–20	2017–21
No. County (W-2) M&I GWP charge (\$/AF)	\$894	\$1,105	\$1,263	\$1,442	\$1,646	\$1,821
Y-Y Growth %	19.7%	23.6%	14.3%	14.2%	14.1%	10.6%
So. County (W-5) M&I GWP charge (\$/AF)	\$356	\$398	\$420	\$440	\$461	\$482
Y-Y Growth %	11.6%	11.8%	5.5%	4.8%	4.8%	4.6%
Ag GWP charge (\$/AF)	\$21.36	\$23.89	\$25.21	\$26.41	\$27.67	\$28.93
Y-Y Growth %	11.6%	11.8%	5.5%	4.8%	4.8%	4.6%
Operating & Capital Reserve	\$18,415	\$34,479	\$38,647	\$39,898	\$52,468	\$57,035
Supplemental Water Supply Reserve (\$K)	\$12,763	\$14,163	\$14,563	\$14,963	\$15,363	\$15,763
Sr. Lien Debt Svc Cov Ratio (1.25 min)	1.71	2.00	1.97	2.05	1.98	2.02
South County (Deficit)/Reserves (\$K)	\$6,822	\$3,365	\$3,085	\$3,322	\$4,738	\$5,295

Assumptions:

- ▶ Water Usage: FY 2016-17 at 205KAF, flat to FY 16 estimate, & 34KAF below FY 2015-16 budget
- ▶ Operations Costs: Consistent with Adopted FY 2015-16 budget...
 - ▶ Plus uncontrollable imported water contract cost increases (\$12M), & CWF increase (\$1M)
 - ▶ Less enhanced consrvtn (-\$5M), water acquisition agrmnts (-\$4M), & suppl. water purchases (-\$15M)
- ▶ CIP: Proposed FY 17-21 CIP is funded

Financial Analysis: Preliminary Groundwater Production Charge Projection

GW Production Charge Increase Components	North County	South County
FY 17 Planned Increase	12.8%	5.9%
Drought Component	10.8%	5.9%
Total % Increase	23.6%	11.8%
Monthly Bill Increase*		
FY 17 Planned Increase	\$3.93	\$0.72
Drought Component	\$3.34	\$0.72
Total Increase	\$7.27	\$1.44

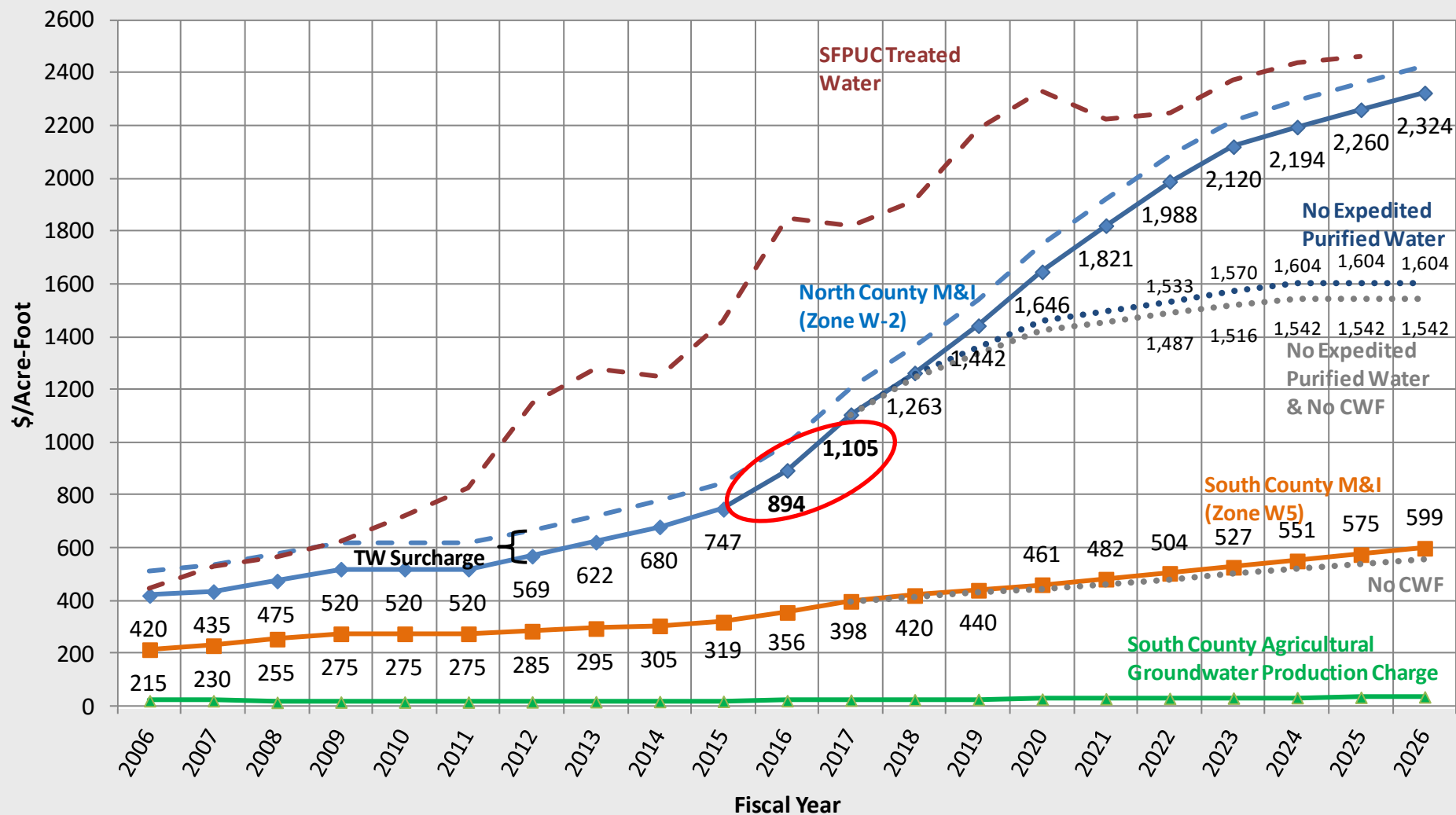
* Impact of Groundwater Production Charge increase on average
household monthly water bill based on 1,500 cubic feet of water use

Key Capital project funding FY 17 thru FY 26

- Expedited Purified Water Program (\$924.1M)
- Rinconada Reliability Improvement (\$180.5M)
- Anderson Dam Seismic Retrofit (\$169.7M)
 - \$67M (33% of total \$201M project) to be reimbursed by Safe Clean Water Measure
- FAHCE Implementation Fund (\$145.1M placeholder)
- Calero & Guadalupe Dams Seismic Retrofit (\$138.2M)
- 10 Year Pipeline Rehabilitation (\$105M)
- Almaden Dam Improvements (\$46.4M)
- Vasona Pumping Plant Upgrade (\$20.3M)

Financial Analysis: Preliminary Groundwater Production Charge Projection Scenarios

Groundwater Production Charges



Financial Analysis: FY 17 Analysis and Assumptions

Drought Reserve:

- ▶ Not funded in Preliminary Analysis
- ▶ Will start funding when historic drought is over to prepare for next drought

Cost Savings Opportunities:

- ▶ Eliminated 101 positions District-wide since 2008 (12% reduction)
- ▶ Explored many & utilized several savings options last year
 - ▶ Reduced/postponed CIP projects
 - ▶ Sold excess properties
 - ▶ Budgeted for salary savings
 - ▶ Adjusted timing of interfund transfer
- ▶ Plan to refund debt to generate \$3M debt service savings for FY 2016-17
- ▶ Plan to review salary savings opportunity for FY 2016-17

Cost Increase Risks:

- ▶ Drought continues driving need for additional drought response costs in FY 17

2016 Schedule

January

- 12 Board meeting: preliminary groundwater production charge analysis, CIP workstudy session
- 20 Water Retailers meeting: preliminary groundwater production charge analysis
- 27 Water Commission meeting: preliminary groundwater production charge analysis

February

- 09 Board meeting: set date of public hearing
- 09 Board meeting: review draft CIP, Budget development update (2nd pass update)
- 26 File Report and mail well owners notice: Protection and Augmentation of Water Supplies (PAWS) Report

2016 Schedule

March

- 16 Water Retailers Meeting: Groundwater charge recommendation discussion (tentative date)
- 22 Board meeting: Budget development update (3rd pass update)

April

- 04 Agricultural Advisory meeting: Groundwater charge recommendation discussion
- 05 Landscape meeting: Groundwater charge recommendation discussion (tentative date)
- 12 Board meeting: Open public hearing on groundwater charges
- 13 Water Commission meeting: Groundwater charge recommendation discussion (tentative date)
- 14 Board meeting: South County public hearing on groundwater charges
- 26 Board meeting: Conclude public hearing on groundwater charges
- 27-29 Board meeting: Budget work study session

May

- 10 Adopt budget, groundwater production charges & CIP